

From: Robert.Snarr@phil.frb.org on 03/29/2005 12:41:15 AM

Subject: Truth in Lending

To whom it may concern,

Regarding Regulations Z's rules governing credit cards, I wish to comment as follows:

Many credit card issuers engage in a practice that makes it difficult, if not impossible, for consumers to pay off cash advances drawn under credit card accounts.

The practice involves applying a consumer's credit card payment first to balances with lower annual percentage rates (APRs), and then to balances with higher APRs. Such a practice portends continually revolving or "evergreen" cash advance balances even in those instances wherein a consumer pays in full the total amount or balance outstanding shown on a periodic statement. (Generally, credit card issuers impose higher APRs on cash advance transactions than APRs on purchase transactions.)

If a consumer pays the entire balance on a credit card account that includes a cash advance transaction, a consumer can pay off the cash advance transaction or balance only if he or she allows enough time for the card issuer/creditor to receive the payment and it apply it to the total balance outstanding before applying it to a subsequent purchase transaction with a lower APR. (That is, subsequent to remitting payment, the consumer cannot use his or her credit card for purchase transactions for a certain period of time.)

Notwithstanding any prohibition, preclusion, or burden on a how a card issuer applies a consumer's payment on a credit card account, I would ask Board staff to consider revising Regulation Z to require that a consumer's credit card payment be applied to "older transactions" (by date), before being applied to "newer" transactions.

In a similar vein, I would ask that the Regulation be revised to require consumer payments to be applied first to "older" cash advance or purchase transactions before being applied to subsequent late fee transactions.

Respectfully submitted,
Robert W. Snarr, Jr.